Introduction

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What is Patient Capital, and Where does it Exist?

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1. The Debate over Patient Capital

This special issue was first motivated by what its co-editors see as a significant lacuna in comparative political economy: the absence of a modern comparative model of financial markets. CPE, to us, has remained largely stuck with a long-standing dichotomy between bank-based and financial market-based systems, with the implications for varieties of capitalism with which readers of *Socio-Economic Review* are very familiar. The result, however, is relatively limited attention to financial markets and financial market actors. There is limited scope to consider the heterogeneity of financial market actors, national differences between financial markets, or processes of change within financial markets. This blind spot is all the more puzzling when set against the extensive study of financial markets across other academic disciplines, even if there is rarely a settled view of the attributes even of specific investor types (see Deeg and Hardie, this volume, for an overview in certain areas).

We seek in this volume to advance towards a CPE of financial markets, and to do so we seek answers to questions about patient capital. This issue is distinctive in that we consider the provision of patient capital by financial markets. This approach is out of line with CPE's use of the bank/capital market dichotomy, but much closer to the view of financial markets elsewhere. In particular, it recognizes a long-standing debate in policy circles – dating in the UK, for example, at least to the Macmillan

Report of 1931 – as to how financial markets might better provide patient capital (see, more recently, the Kay Review 2012).

Patient capital is nevertheless central to CPE. The conventional view in the comparative capitalisms literature is that coordinated market economies (CMEs) are characterized by comparatively higher amounts of patient capital provided to NFCs. Patient capital, in this context, is long-term and not normally withdrawn in the face of short-term vicissitudes of financial markets or temporary falls in NFC profitability or cash flow. For some, such patience would also include a willingness to support newer companies with cheap financing in the hope of future recompense (e.g., Peterson and Rajan 1995), or to support potentially non-profit maximizing NFC goals such as increased market share or stabilizing employment. Specifically, patient capital is said to facilitate long-term investment horizons by NFCs and greater investment in specific assets. In turn, patient capital is complementary to other institutional domains of the economy, creating the basis for a coordinated market economy (CME).

Conversely, in liberal market economies (LMEs) NFCs are presumed to rely more heavily on equity and bonds rather than bank loans – which in these countries are short-term – for external finance. Instead of banks monitoring NFC management closely, management is monitored ("disciplined") on an arms-length basis by securities markets. Banks favour voice in influencing NFCs, while investors favour exit (Hirschman 1970; Zysman 1983). Because shares and bonds are highly liquid and readily traded, this means NFCs are subject to short-term financial pressures to maintain cash flow (to ensure their bonds perform well in secondary markets and they are able to borrow further) and deliver high returns on equity (for shareholders). Otherwise, investors will exit: capital is "impatient" rather than patient. Compared to CMEs, then, NFCs make fewer investments in specific assets and less long-term investment, including in such areas as worker training.

Beyond the private returns to long-term patient investment lie public or social benefits. Patient capital is often seen (or assumed) to foster greater investment by NFCs in innovation (Hall and Soskice 2001; Jacobs 2011), especially in more basic research that may – or may not – lead to a variety of potentially saleable products or services, or innovation in product/services with a long-term development profile. While firms capture much of the benefit of innovation, society at large reaps positive externalities as well. Patient capital can also promote stability in financial markets and the economy more generally by not selling assets into panicked markets, or enabling NFCs to hold on to employees and sustain investment in an economic downturn (Hall and Soskice 2001; World Economic Forum 2011, 35).

The motivations of patient capital providers are somewhat underspecified in this literature. Three distinct types of patient investors and lenders can be most commonly seen: families with ownership control (of either private or publicly-listed companies), NFCs with mutual shareholdings, and banks with both blockholdings of equity and a long-term lending relationship. For families, the motivations cited vary.

As blockholders in publicly-listed firms, they 'can help themselves to a variety of expropriation costs at the expense of minority shareholders' (Gourevitch and Shinn 2005, 60; also Roe 2006, 178). Blockholding also reduces agency costs and can be a response to social democratic government pressure on managers to favour the interests of labour. However, varied other 'psychological benefits of control' (Gourevitch and Shinn 2005, 110) may also be important, and these may well have a positive social dimension.

The motivation of NFC cross shareholding is likely to be mainly mutual support against takeover pressure (although stabilizing production relations is also a major goal). For banks both owning equity and making loans, their interests in having the loans repaid mitigate against supporting management decisions that maximize short term shareholder value (on Japan, Roe 2006, 4; also Aoki 2001). Banks therefore use their position as shareholders and board members (and through proxy voting) to protect their interests as creditors. Their ability to monitor management and maintain a long-term relationship – thereby earning returns from activities other than lending (Aoki 2001, 4) – also encourages longer term lending.

Whatever the motivations for patience, there has been widespread concern that it is in decline due to decreases in long-term blockholding ownership (Culpepper 2011), a general shift from banks to markets (Van der Zwan 2014; Aspara *et al.* 2014), as well as toward market-based banking (Hardie and Howarth 2013; Hardie *et al*. 2013). The ability of banks in particular to be patient capital providers has eroded, and we are left wondering whether there is now less demand or need for patient capital, or whether the decline of patient capital will undermine long-term investment and growth. Beyond academics there has also been official concern, exacerbated by the 2008 financial crisis, around the decline of patient capital (World Economic Forum 2011; Kay 2012; European Commission 2013; Bank of England 2014). Many of these concerns are related to the rise of short-term shareholder value priorities among investors, and have some overlap with parts of the broader financialization literature. However, these official or semi-official reports demonstrate a fundamental disagreement with a central premise within comparative political economy that patient capital is anathema to market-based financial systems. For those reports, market-based sources of finance have a clear potential to be 'patient'. Indeed, the G30 (2013), although as a finance industry body it is possibly partial, is far from alone in seeing the future provision of greater volumes of patient capital as requiring a *decline* in the proportion of NFC financing coming from banks (see, for example, initiatives from the European Commission for Capital Markets Union). Such reports point to the potential for patient capital arising from non-bank financial institutions as sources of loans and equity, notably foundations, endowments, venture capital, sovereign wealth funds and particularly pension funds and insurance companies. As this special edition notes, there are reasons to be cautious about the patience of many of these financial institutions, but CPE should nevertheless, we argue, be asking the question, and asking it cross-nationally.

In this special issue we seek answers to three general questions about patient capital. The first is who provides PC, when and how? The contributors answer this across a range of investor types, considering both the continued importance of those previously recognized within the CPE literature, such as family owners (van Loon, this volume; Celo and Lehrer, this volume), and mostly unrecognized potential sources of PC in financial markets, such as sovereign wealth funds (Thatcher and Vlandas, this volume), angel investors (Harrison, this volume), private equity (Klingler-Vidra, this volume), pension funds (Macartney and Sorsa, this volume) or investment fund managers (Garratt and Hamilton, this volume). This list cannot be exhaustive, and is only partly added to by Deeg and Hardie's (this volume) broader but shallower analysis. Although the authors find a wide range of potential patience (or absence thereof), the conclusion overall is clear: financial markets are a potential source of PC, and the bank/market-based distinction is, in terms of PC, highly questionable as an analytic framework.

The second question is what does PC do? CPE's answer to this question is obviously that PC shields NFC management from the short-term pressures of financial markets, producing a range of outcomes linked to long-term decision-making. Deeg and Hardie (this volume) argue that such outcomes are not inevitably positive (see also Davis 2008, 13; Shleifer and Vishny 1997, 742), and they thereby remind us of the importance of the complementary institutions of CMEs that jointly produce the positive outcomes associated with such economies. Garratt and Hamilton (this volume), writing as market practitioners, argue that PC is capital actively engaged in encouraging long-term NFC decision-making. For them, this argument is being made in opposition to the impatience of other providers of capital and their various advisers, but they join with Dutta and Knafo (this volume) in suggesting that longer-term NFC decision-making is not simply a matter of managerial autonomy. Van Loon (this volume) can perhaps be seen as more optimistic, showing how the patience of family equity in Belgium can, in contrast to the less patient owners in the Netherlands, ensure long-term outcomes, even where debt providers (in this case, market-based banks in the two countries) display similar levels of (im)patience. Thatcher and Vlandas (this volume) similarly show how patient equity capital – in their case sovereign wealth funds – can support existing corporate governance models.

The third question is what institutional conditions support or discourage PC? This volume does not attempt to answer this question systematically, but the contributors nevertheless offer some interesting and varied answers. Garratt and Hamilton (this volume) are the most systematic, and arguably the most pessimistic, despite the success of their own firm. They show both how the 'investment chain' – the intermediaries through which investment funds flow and their advisers – creates incentives for impatience, and how the unintended consequences of regulatory initiatives have made patience more difficult. Sorsa and Macartney (this volume) consider the preferences of business and labour institutions as influences on patience, while Thatcher and Vlandas (this volume) explore the changing attitudes of recipient business and governments in influencing the welcome given to generally patient sovereign wealth fund investment. Harrison and Klingler-Vidra (this volume), meanwhile draw attention to a different institutional condition: the liquidity of financial markets. The lack of exit options for angel and VC investors often results in 'patience by default'.

2. Contribution Summaries:

Deeg and Hardie develop a general framework to determine which investors, whether providers of debt or equity, should be seen as most likely to be patient and under what conditions. They define PC as equity or debt whose providers aim to capture benefits specific to long-term investments and who maintain their investment even in the face of adverse short-term conditions for the firm. Their heuristic for determining patience involves three questions: 1. Is the investment (loan) intended to be short or long term? 2. Is the investor engaged with management in pursuit of short-term share price performance or creditworthiness? 3. What is the likelihood of exit because of concerns regarding short-term performance? The answers to these questions are used to place various investor types on a continuum of relative patience.

As noted, Deeg and Hardie do not see PC as inherently positive. Indeed, they suggest that certain unengaged capital, such as most passive funds, is patient, but that we cannot assume that the managerial autonomy that results will be used to favour long-term decision-making. They avoid normative perspectives. Overall, Deeg and Hardie's framework emphasizes two areas which do not usually receive extensive analysis in studies of financial markets: engagement and loyalty. In addressing their second question, they point out that investors that hold securities for extended periods cannot be seen as patient if they engage (utilize voice) in order to encourage NFCs to prioritize short term share price performance or creditworthiness. Empirically, this supports a move away from focusing exclusively on length of investor holding periods in favour of considering whether investors engage with NFC management, and, if so, in pursuit of what ends. Their third question introduces the question of loyalty (Hirschman 1970) and how the cost of exit influences the decision to exit, even after engagement has been attempted. In discussing different investor types in the context of their framework, Deeg and Hardie emphasize the heterogeneity of investors, but also argue that PC can be found in financial markets.

Thatcher and Vlandas introduce us to an investor category with great potential for patience, namely Sovereign Wealth Funds (SWFs). When SWFs rose to prominence in global markets in the mid-2000s they typically evoked suspicion and anxiety among western government and business leaders. SWFs were perceived as potential instruments of foreign states who might use them to advance political goals, with negative consequences for invested firms or states. There was also more general anxiety that global investors were driving financialization and undermining domestic institutions designed to balance interests among various stakeholders. Examining the cases of France and Germany, Thatcher and Vlandas find that initial hostility to SWF investment in both countries turned into a striking embrace and courtship of SWF in the late 2000s by a coalition of leading political and business leaders who came to see SWF investment as a means to offset the decline in long-term patient capital supplied by domestic banks and firms. The dramatic change in stance on SWFs was driven by a rising need for equity investment after the Great Financial Crisis and the recognition that SWFs were typically "ideal" foreign investors who would ask little of NFC management while remaining loyal, holding their equity investment for an indefinite time frame. In effect, then, SWFs as 'outsiders' proved to be valuable members of 'insider' corporate governance coalitions – welcomed by other patient investors, managers and workers. Thatcher and Vlandas thus derive the hypothesis that domestic coalitions will form in coordinated or mixed market economies to welcome foreign capital when those investors are both patient and passive. Through this study they reveal that SWFs – now one of the largest categories of institutional investors in global markets – have become a major new source of patient equity investment in Western economies (even if SWFs also engage in short-term investing), and that financial globalization is not incompatible with patient capital.

Harrison considers the patience of business angel investors, individuals who invest in very early-stage businesses and use their own business experience to assist the development of these companies. In so doing he takes an entrepreneurial finance perspective to an area of investing that has received little attention from political economy. The paper applies the framework proposed by Deeg and Hardie to assess the level of patience of angel investors, and uses Verbal Protocol Analysis (VPA) to explore the investment decision-making of a group of 30 angel investors in Scotland

and Northern Ireland. His aim is to address two gaps in the existing literature on angels: first, a lack of discussion of the intentionality of patience; second, a shortage of research on the relationship between attitudes towards exit and portfolio characteristics.

Harrison concludes that the evidence does not support an unequivocal view that angel investors are patient, and sees them as frequently patient less by choice than 'by default through force of circumstance'. The data suggest that poorly performing investments are exited quickly, but crucially in agreement with the investee, and that it is moderately-performing investments that are held the longest. This is combined with VPA evidence of surprisingly very low focus by angels on exit in investment decision-making, but also a view that 'good investments will always find exits' (Gray 2011). Angels must concentrate on the likely success of the business, as this is what will create the opportunity for exit on which successful investment depends (although Harrison also notes broader motivations for investment than financial returns).

To us, attempting to generalize Harrison's findings to the broader consideration of PC raises some interesting issues. First, he raises the question of a distinction between those investors for whom eventual returns from exit is not a concern, and those who depend on exit for financial returns (as angels do), but who must accept as a condition of their investment the risk of limited options for exit in the event of poor performance. This challenges a distinction of patience based on returns from exit (presumably signalling an impatient investor) and returns from income (dividends or interest) during the investment, signalling patience**.** Second, he raises the issue of the investee. If the angel and owner/manager of the business agree on exit after a short period, should we see this as indicating impatience on the angel's part? Harrison shows that such agreement can be reached relatively quickly. We might term this, using Harrison's approach, 'impatience by default', as the angel investor has little choice but to accept exit, given her dependence on the entrepreneur's enthusiastic involvement. A conclusion that such actions do not demonstrate investor impatience challenges an empirical focus on the actual length of investment in determining patience, while also supporting Jackson and Petraki's (2011) view that what matters is whether capital is pressuring managers to be more short-term than they would otherwise choose to be.

Klingler-Vidra looks at venture capital, in particular the provision of seed capital, and is therefore looking at early-stage investing that is close to that provided by angel investors. Her conclusions regarding patience amongst these investors have overlaps with Harrison, but also raise additional interesting questions. In particular, she raises the issue of motivations for exit. She shows that exit by seed capital can take place in the event of changes from the perspective of the investor, but it is not short-term change, but rather a conclusion that the business no longer has long-term potential. Within Deeg and Hardie's framework, which Klingler-Vidra also employs, such exit would not in itself indicate a lack of patience (although Klingler-Vidra leaves unasked the question of the likely actions of a VC investor in a company in which the long-term outlook is no longer promising, but short-term performance is strong).

Klingler-Vidra's article also indicates a theme that emerges throughout this special issue - investor heterogeneity even within broad investor 'types'. Klingler-Vidra focuses on a particular aspect on venture capital, seed capital, and even here finds two very different strategies in the provision of seed capital, which she suggests should be seen as having varying levels of patience. One strategy is to have a concentrated portfolio, to be heavily engaged with each company and to provide follow-on funding as needed. The second strategy or model is to build a large diversified portfolio with relatively small initial investments. These seed funds provide significant engagement and follow-on funding only to the subset (if the fund has the capacity) of their portfolio firms, namely those companies thought likely to perform strongly over to the long-term. For Klingler-Vidra, deeper engagement and follow on funding indicate the probability of greater patience by the fund investor (though funds may still be equally patient with weak prospects if they hold on to them for an equal length of time). She also points to how the development of a (so far somewhat limited) secondary market has increased the ability of venture capital funds to exit, thereby reducing patience. This supports those who see a link between increased financialization and reduced patience.

Van Loon is also interested in change over time and in explaining where patience is sustained or eroded. His focus is on outcomes in terms of NFC decisions. In his article, however, the two case studies, property markets in Belgium and the Netherlands, have experienced very different levels of change in patient investment over the period examined, and it is this variance he seeks to explain. In both cases, the nature of debt finance and of the banks providing it is similar, and his explanation lies therefore on the equity side, in the nature of the ownership of property companies in the two countries. In Belgium, ownership has remained concentrated in family firms, who, despite temptations towards reduced patience from their financiers, have maintained a cautious, long-term approach that has resisted breakneck expansion and decreased the likelihood of excessive development and bubbles. In the Netherlands, in contrast, owners of property companies, including subsidiaries of the Dutch banks, have used the availability of finance from market-based banks to fund rapid expansion and fuel a pre-Global Financial Crisis bubble.

With family ownership remaining so important around the world, this is an important analysis regarding NFC demand for, and resistance to the implications of, impatient debt finance. It raises the possibility, when the analysis of patient capital includes both equity and debt, of understanding variable outcomes even when broader financial market developments appear to be similar. As also shown in Celo and Lehrer (this volume), blockholders such as family owners can mitigate the impact of financial market impatience, not only by not utilizing those financial markets (Belgian property development is bank debt-financed), but by resisting the pressures it brings. Patient blockholders are, as has been widely argued, particularly influential in this regard. Only when both debt and equity are impatient, or possibly when equity has lost its relative influence by greater dispersion, should we expect impatient NFC outcomes.

Celo and Lehrer compliment van Loon by delving into the world of German family capitalism and find it – perhaps paradoxically – thriving in the face of financialization and globalization processes. Families are widely viewed as the most patient (save for states, perhaps) equity investors, particularly when the family is both owner and operator of the enterprise. Families are patient because the founder/owner typically operates or controls the firm for their lifetime, and often seeks to pass this on to subsequent generations. Family capitalism is also not limited to smaller firms, as many of the largest and most competitive firms in both advanced (notably the US, Germany, Italy and France) and developing economies are controlled by families. In Germany, family firms account for more than half of employment and expanded substantially in the wake of the Global Financial Crisis, often in stark contrast to the largest publicly-listed firms who collectively shed labor. The authors root the success of German family firms in a number of institutions; first are inheritance taxes which strongly favor the retention of firms in family hands; second is the cultivation of intangible assets or social capital by embedding in local communities and production networks; finally, by focusing on markets where the social and reputational capital of family firms is a competitive advantage, such as capital goods production. The authors juxtapose the decline of relational banking and blockholding in Germany leading to a set of "financialized firms" with the continued robustness of family capitalism. This leads them to posit a 'bifurcation-symbiosis thesis' in which divergence between the two subsystems – financialized listed firms and private family firms – increases the capacity of the whole economy to deal with growing complexity in global markets, thus developing a new complementarity.

Macartney and Sorsa are interested in explaining what they see as the decline in patience amongst pension funds in Finland, the Netherlands and the United States. For them, the explanation lies in the interests of business and labour, but importantly they do not hold preferences constant, but show how these changed over time as a result of financing needs, governance and regulation that varied between their three cases and over time. The focus on pension funds is important to any overall consideration of the possibilities for financial markets to provide patient capital, given their huge size and long-term liabilities. Furthermore, the rise of pension funds has often appeared as the underlying development that explains increased financialization. Macartney and Sorsa do not address this debate directly, but do argue that we cannot consider pension funds as 'inherently patient' despite the temptation to assume that from the nature of their liabilities. They show the changes in the nature of pension fund investments and their move to higher turnover, different types of investment and lower patience.

Their analysis has a number of other important implications for the overall contribution of this special edition. First, they demonstrate clearly that pension funds can be (even if they increasingly are not) providers of patient capital, and their demonstration that preferences on the part of business and labour are mutable opens the possibility of changes back towards increased patience. Some might see this as a forlorn hope, but Deeg and Hardie point to this possibility in the rise of Liability Driven Investment by corporate pension funds (in which long-term obligations are matched with equally long-term investments), driven at least in part by companies' increasing aversion to the impact of pension fund funding volatility on their profits and balance sheets. Second, regulation is a crucial variable in shaping preferences and is arguably under-emphasised across this special issue. Macartney and Sorsa show for the United States how regulatory intervention blocked union initiatives in favour of patience, for example.

In their contribution, **Dutta and Knafo** seek the origins of declining patient capital in the United States and find them in the changing behavior of NFC management rather than changes in bank or investor behavior, as is the conventional wisdom. In other words, they find the decline in the US is driven, at least initially, on the "demand" side for patient capital rather than the supply side. In so doing, they remind us that we need to see 'patient capital more explicitly as a social relation' whose presence and consequences are jointly produced by the interdependent behaviour of both investors and management. They argue it is the rise of 'financialised management' in the US during the 1960s that led to the shareholder value revolution of the 1980s and rising short-termism in investment behaviour. Only in the 1980s do investment banks become protagonists and disseminators of a shareholder value paradigm focused on short-term returns, and drivers of the LBO boom of the 1980s.

Drawing on established corporate historiography, Dutta and Knafo examine the behaviour of American conglomerates from the 1960s to the mid-1980s. They show how several conglomerates pioneered financial techniques and corporate strategies designed to extract value from acquisitions via cash flow or restructuring and selling them to finance further acquisitions. Most acquisitions were done for their financial prospects rather than as part of a longer-term industrial strategy. The conglomerates also used debt - often convertible bonds - to repurchase shares in order to prop up share prices. In short, what they call 'financialized management' entailed both a set of practices and a managerial ideology focused on exploiting capital market dynamics and instruments to increase profits. Their examination of this history leads them to conclude that the challenge for fostering patience today lies not in increasing the supply of patient investors, but of mitigating the incentives and competitive pressures on NFC management that lead them to focus on exploiting capital markets rather than productive investment to gain advantage over competitors.

Garratt and Hamilton produce a very different kind of paper. Both are partners at Edinburgh-based fund manager Baillie Gifford, and their answer to the question of whether financial markets can provide patient capital is a simple one: 'Yes, because Baillie Gifford does it'. They were therefore asked to give a highly subjective view of how they see patient capital and the challenges in providing it. Conventional finance theory might suggest that, if Baillie Gifford's view that their patience results in superior performance is wrong, they should be out of business; if it's right, they should have displaced the army of short-term investors. Instead, they are over a century old, and, although highly successful, are on most measures a medium-sized institution. In short, Baillie Gifford operates in an ecological niche that appears, in their view, at risk of shrinking.

For Garratt and Hamilton (and in partial contrast to Deeg and Hardie), patience requires engagement in favour of long-term performance. They give public examples of such engagement that will surprise many readers: calling on Google to pay more tax, for example, or supporting a two-tier voting structure that preserved a founder's control and reduced the threat of takeover. Even more important is their detailed analysis of the reasons for 'the loneliness of the long-term investor'. For them, the problem lies in the investment chain, the long chain of separate institutions through which investment flows, and those institutions (including regulatory authorities) that influence different links in the chain. Conflicts of interest that mitigate patience exist along the chain; most worrying, perhaps, the direction of much recent regulation has had the unintended consequence of making it harder to be a patient investor, for example by making effective engagement more difficult. Garratt and Hamilton also point out that one reason Baillie Gifford is able to be patient is that they are themselves an ever-rarer unlimited partnership, and shielded as a result from short-term performance pressures from shareholders or corporate owners. This is an important reminder to comparative political economy that financial firms are businesses just as NFCs are, and are therefore subject to many of the same pressures from their owners and (although less so for a fund management company) lenders.

3. **Conclusion**

We would argue that this special issue shows clearly the potential for the provision of PC by financial markets, as well as the problematic nature of a dichotomy that sees bank-based systems as providing PC and market-based systems as characterized by impatience. We believe that accepting this simple point is the necessary first step in developing a more appropriate means of distinguishing national varieties of capitalism and of identifying processes of change. The work here can only be a very small step in that direction, but Van Loon, Klingler-Vidra and Sorsa and Macartney all point to important national differences even within investors of the same broad 'type'. Just as Hardie et al (2013) suggest national differences within bank-based systems, the work here supports the idea of differences within financial markets. Thatcher and Vlandas make a similar point regarding the heterogeneity of SWF, but they also show variation in national receptiveness to types of international investment. With so many financial markets receiving substantial foreign investment, this inclusion of different international investors is needed in any complete analysis of national financial and capitalist systems (see, e.g., Goyer 2011).

A further question raised here concerns the widely-held normative perspective on PC. Should it always be seen as beneficial, or only under certain circumstances? Indeed, what really are the benefits? We have, in this introduction, been critical of CPE approaches, but these questions return us to the issue of institutional complementarities on which so much of the comparative capitalism literature is predicated. If the periodic attempts by governments, especially in LMEs, to increase the availability of PC were to bear fruit, what might be the consequences without, for example, increased worker representation in NFC decision making? Answering these questions involves the challenge of identifying national differences in the nature of financial markets and the actors within them, and relating those differences clearly to the outcomes on which CPE has focused. These questions raise a further question regarding the direction of causality, which CPE has never satisfactorily resolved. Should we see changes in financial markets as driving change elsewhere, or financial market change as primarily in reaction to other changes? In reality, the answer to this last question must be that both are important. German blockholdings develop as a response to worker board representation (Gourevitch and Shinn 2005), but shareholder value pressures on bank blockholders may also be responsible for them selling down those shares.

One influence appears across a large number of the articles here: regulation. This raises a final question worthy of further research: assuming PC is beneficial, how might states encourage its provision? This is a complex question which we cannot hope to answer here. Garratt and Hamilton are clearly supportive of the Kay

Report's (2012) belief that shortening the 'investment chain' would help, but most of those involved in the chain serve necessary purposes and many are there as a result of regulatory requirements. Garratt and Hamilton also highlight the unintended consequences of many regulatory initiatives in terms of PC, while Sorsa and Macartney demonstrate the influences on management and labour in favour of reduced patience by the largest potential source of PC, pension funds. There remains much to be done.

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